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**COUNTY OF LOS ANGELES  
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September 23, 2016

TO: Supervisor Hilda L. Solis, Chair  
Supervisor Mark Ridley-Thomas  
Supervisor Sheila Kuehl  
Supervisor Don Knabe  
Supervisor Michael D. Antonovich

FROM: John Naimo  
Auditor-Controller

A handwritten signature in blue ink, reading "John Naimo", written over the printed name and title.

SUBJECT: **DISTRICT ATTORNEY - PROCUREMENT REVIEW**

On August 14, 2007, based on issues noted in our review of procurement in one County department, your Board instructed the Auditor-Controller (A-C) to develop a risk-based plan to audit procurement operations in all County departments. In accordance with the developed plan, we completed a review of the Los Angeles County District Attorney's Office's (LADA or Department) compliance with County procurement policies and procedures.

**Background and Scope**

The LADA is the largest local prosecutorial office in the nation, prosecuting approximately 183,000 felony and misdemeanor cases throughout Los Angeles County each year. The Department also has specialized units established to combat gangs, organized crime, family violence, etc. In addition, LADA staff are responsible for working with State and local agencies to provide victim and witness assistance.

Our review included areas such as revolving funds, purchasing and payment controls, and use of the electronic Countywide Accounting and Purchasing System (eCAPS) procurement and payment functions. Our audit included a review of revolving fund activities, purchases, and payments generally sampled from Fiscal Year 2013-14.

### **Summary of Findings**

Based on our review, the LADA appears to successfully obtain the goods and services necessary to operate the Department. However, we noted significant deficiencies in the Department's procurement controls, including violations of County fiscal and purchasing policies, the absence of critical internal controls, and insufficient recordkeeping. These deficiencies result in a lack of accountability and could result in undetected misappropriation of County property and/or misuse of funds.

The totality of our findings in this report, and numerous discussions with LADA management and staff, indicate a need for improved management oversight.

The following are examples of specific areas for improvement:

- **Revolving fund records are not sufficient and balances exceed assigned amounts** – The LADA needs to develop and maintain accurate and current records of their revolving fund assignment/sub-assignments, establish accountability for those funds, including identifying fund custodians and the amount of each sub-assignment, and periodically reconcile the records to eCAPS. At the time of our review, the LADA's records indicated they had revolving funds totaling \$1,057,000, which is \$275,000 more than the authorized \$782,000 revolving fund balance reported in eCAPS. In addition, the Department's revolving fund records did not identify all of the fund custodians or sub-assignments and had not been reconciled to eCAPS for at least 15 years.

*The LADA's attached response indicates that they now maintain accurate records of their revolving fund assignments/sub-assignments and that the records now identify the fund custodians. In addition, the Department's response indicates that they will reconcile their revolving fund to the amount assigned in eCAPS.*

- **Revolving funds not kept on an imprest basis** – The LADA needs to ensure that revolving fund cash and receipts total the assigned fund amount at all times, and only request reimbursement for actual expenditures. We reviewed revolving fund expenditure reimbursements for three months and noted four instances where the Department requested reimbursement for more than their actual expenditures. For example, we noted that the Department deposited \$100,000 into a revolving fund that was only authorized for \$50,000, and could not provide any receipts or documentation to support the reimbursement amount.

*The LADA's attached response indicates that they now maintain each revolving fund/sub-assignment on an imprest basis. In addition, the account balances, including supporting receipts and documentation, now total the assigned fund amounts.*

- **Revolving fund balance exceeds amounts needed** – The LADA needs to analyze their revolving fund activity to determine the appropriate fund amount and adjust the fund balances accordingly. For example, County policy states that revolving fund balances should equal approximately one-month's expenses. However, the LADA's Extradition Travel Advances fund has a \$100,000 balance and the Department did not spend more than \$38,000 in any of the 12 months reviewed.

*The LADA's attached response indicates that they have analyzed their fund activity and determined that the fund balance is currently appropriate, and will work with the A-C if balance requires adjustment.*

- **Payroll advances using revolving funds** – The LADA needs to immediately discontinue making payroll advances to employees from the Department's revolving fund, and review all previous advances to ensure they have been repaid. For the three months reviewed, the LADA provided four cash advances to employees, totaling \$2,100.

*The LADA's attached response indicates that they have discontinued making payroll advances, and confirmed that all advances have been repaid.*

- **Revolving fund cash comingled with personal accounts** – The LADA needs to ensure that revolving fund cash is kept secure at all times, and maintained separately from custodians' personal funds. We noted that for three (33%) of the nine cash assignments reviewed, totaling \$1,700, custodians followed an unwritten practice of depositing funds and making expenditures from their personal bank accounts, and then returning the receipts and unspent funds to the LADA at the end of the year. In addition, for two (22%) of the other cash assignments, the Department could not locate the cash, resulting in shortages totaling \$200.

*The LADA's attached response indicates that they now conduct surprise cash counts to ensure all funds are kept secure and maintained separately from custodians' personal funds. In addition, the Department indicated that they reported the cash shortage and that the issue has been resolved.*

- **Purchases exceeded requisitions** – The LADA needs to ensure that staff only order goods/services on approved requisitions, and verify that items are received before processing payment. We noted that for seven (18%) of the 40 purchases reviewed, totaling \$69,000, staff ordered an additional \$5,000 in goods/services for upgrades and/or additional items that were not on the approved requisition. We also noted that for 18 (45%) of the 40 purchases reviewed, totaling \$183,000, payments were issued without sufficient documentation indicating that goods/services had been received.

*The LADA's attached response indicates that they have implemented a procurement policy change that outlines controls to ensure staff only order goods/services indicated on the approved purchase requisition. In addition, the Department indicated they have implemented controls to ensure staff clearly document that goods/services are received prior to paying vendors.*

- **Inappropriate vendor solicitations/selections** – The LADA needs to ensure that price quotes are requested and evaluated in a consistent manner. For three (21%) of the 14 non-emergent purchases, totaling \$18,700, the LADA gave some vendors additional time to provide price quotes, but not others. For example, the LADA worked with one vendor for a month to obtain a bid for goods, and did not require a specific deadline. After the vendor provided a quote, the Department requested quotes from other potential vendors, but included a two-day hard deadline. The LADA later selected the vendor they had been working with because the other potential vendors did not provide bids within two days.

*The LADA's attached response indicates that they have implemented procedures to ensure staff request and evaluate quotes in a consistent manner.*

- **Splitting purchases to circumvent controls** – The LADA needs to ensure purchases are not split, thereby circumventing purchasing controls. We noted that for four (80%) of the five potential split purchases reviewed, totaling \$13,300, the LADA appeared to split the purchases to stay within the Department's delegated purchasing authority.

*The LADA's attached response indicates that they have implemented procedures to ensure staff do not split purchases, and that purchases exceeding the Department's delegated purchasing authority are processed through the Internal Services Department.*

- **Blanket purchase requests** – The LADA needs to ensure individual purchase requests are pre-approved and clearly identify the type and quantity of goods/services requested. We noted that the Department created blanket purchase requisitions to purchase unlimited services from specified vendors and therefore did not obtain pre-approval for each transaction as required by County policy.

*The LADA's attached response indicates that they have outlined controls to ensure staff do not create blanket purchase requisitions.*

Although this report is a review of the LADA's procurement operations, we recommend that other County departments review the findings in this report and ensure that necessary controls are in place.

Details of these and other findings and recommendations are included in Attachment I.

**Review of Report**

We discussed the results of our review with LADA management. The Department's attached response (Attachment II) indicates general agreement with our findings and recommendations. However, LADA management indicated that most of the issues identified were the result of long-standing practices established during previous administrations, and that the current administration is working diligently to improve practices and align them with County policies/procedures.

We thank LADA management and staff for their cooperation and assistance during our review. If you have any questions please call me, or your staff may contact Robert Smythe at (213) 253-0100.

JN:AB:PH:RS:MP

**Attachments**

c: Sachi A. Hamai, Chief Executive Officer  
Jackie Lacey, District Attorney  
Dave Chittenden, Chief Deputy Director, Internal Services Department  
All Department Heads  
Public Information Office  
Audit Committee

**DISTRICT ATTORNEY  
PROCUREMENT REVIEW**

**Background and Scope**

The Los Angeles County District Attorney's Office's (LADA or Department) Administrative Services Bureau includes the Procurement Unit and Accounts Payable Unit. These Units are responsible for reviewing requisitions, ordering goods and services, ensuring goods/services are received, and issuing payments. The LADA's Fiscal Year (FY) 2015-16 services and supplies budget was approximately \$36.1 million.

We reviewed the LADA's procurement practices for compliance with County policies and procedures. Our review included interviewing LADA personnel, reviewing purchases and payments, and evaluating internal controls. We also evaluated controls over the LADA's use of the electronic Countywide Accounting and Purchasing System (eCAPS or System) procurement and payment functions.

**MANAGEMENT OVERSIGHT**

Based on our numerous discussions with LADA management and staff, and as detailed in the findings throughout this report, we noted a number of significant deficiencies in the Department's internal controls that indicate a need for improved management oversight. For example, the LADA:

- Increased their revolving fund without approval by depositing reimbursements that exceeded their expenditures. For example, we noted that the Department deposited \$100,000 into a revolving fund that was only authorized for \$50,000, and could not provide any receipts or documentation to support the reimbursement amount.
- Used their revolving fund to make payroll advances/loans to Departmental employees, even though County policy specifically prohibits this practice.
- Appeared to favor certain vendors by providing them advance details of bid requests.
- Appeared to split purchases in order to circumvent the Department's delegated purchasing authority.
- Did not comply with the contract terms approved by the Board of Supervisors (Board) and knowingly charged current contract expenditures to a prior fiscal year so that more funding would be available for the Department's current year purchases.

Details of these and other findings are discussed in the remainder of this report.

LADA management indicated that most of the issues identified were the result of long-standing practices established during previous administrations, and that the current administration is working diligently to improve practices and align them with County policies/procedures. However, the totality of our findings in this report indicates a need to establish strategies that set a clear tone of fiscal responsibility, accountability, and compliance with County policies and procedures. These strategies need to include establishing management oversight and control mechanisms to ensure changes are sustained and permeate all facets of the Department's administrative activity.

### **Recommendations**

#### **District Attorney management:**

- 1. Establish strategies that set a clear tone of fiscal responsibility, accountability, and compliance with County policies and procedures.**
- 2. Establish management oversight and control mechanisms to ensure strategies are sustained and permeate all facets of the Department's administrative activity.**

### **REVOLVING FUNDS**

A revolving fund is a predetermined amount of money kept on hand for small purchases, special purposes, and other uses. Departmental revolving funds can be sub-assigned to various locations within a department and may include a combination of both checking and cash accounts.

At the time of our review, the LADA had one revolving fund in eCAPS, totaling \$782,000. The LADA split the fund into eight primary sub-assignments that are each authorized for a specified amount based on the purpose of the funding (e.g., Extradition, Witness Fee, etc.).

#### **Insufficient/Inaccurate Revolving Fund Records**

County Fiscal Manual (CFM) Section 1.6.4 requires departments to keep current records of their revolving fund assignments/sub-assignments. The records must identify the current fund custodian(s), and must be reconciled to their assigned amount in eCAPS. In addition, CFM Section 1.6.6 states that departments must return any excess funds to the Auditor-Controller's (A-C) Accounting Division.

We noted that the LADA does not have accurate records of its revolving funds and cannot account for the total revolving fund balance. Specifically, at the time of our review, the LADA's records indicated they had a revolving fund balance totaling \$1,057,000, which is \$275,000 more than the balance reported in eCAPS. As indicated in the Imprest Funds and Fund Balances section below, we noted several instances where the LADA increased their revolving fund balance by making deposits into the

fund that exceeded their expenditures. In addition, while the Department provided multiple lists to attempt to reconcile the difference, none of them justified the revolving fund balance indicated in eCAPS. We also noted the following:

- **Unreconciled Revolving Funds** – The LADA did not reconcile their revolving funds to eCAPS for at least 15 years. As a result, the Department was not always aware of discrepancies in the fund balance.
- **Insufficient Revolving Funds Documentation** – The LADA did not maintain documentation indicating the balance and/or purpose for seven of their eight primary revolving fund sub-assignments. LADA management indicated that all of these funds were established more than 15 years ago and that at the time the A-C must have approved these sub-accounts. However, without balance/purpose documentation, the Department cannot ensure they are maintaining the funds at the authorized balances or that the expenditures are consistent with the approved purpose of each sub-assignment.
- **Unidentified Sub-Assignments and Fund Custodians** – The LADA's revolving fund records did not identify all the sub-assignment amounts or the fund custodians as required. As a result, the Department cannot ensure that the revolving fund sub-assignments are accounted for, and are assigned to responsible individuals.

The LADA needs to fully reconcile the total revolving fund, identify the cause and location of all excess funds, and work with the A-C Accounting Division to return the excess amounts and/or correct the fund balance reported in eCAPS. The Department should also ensure they develop and maintain documentation that indicates the authorized balance, purpose, and authority for each revolving fund/sub-assignment.

On an ongoing basis, management needs to develop and maintain accurate up-to-date internal records that indicate the custodians and the current balance of each revolving fund/sub-assignment, including cash sub-assignments, periodically reconcile the Department's internal revolving fund/sub-assignment records to the amount assigned in eCAPS, and maintain the reconciling documents.

### **Recommendations**

#### **District Attorney management:**

3. **Fully reconcile the total revolving fund, identify the cause and location of all excess funds, and work with the Auditor-Controller's Accounting Division to return the excess amounts and/or correct the fund balance reported in eCAPS.**



4. **Develop and maintain documentation that indicates the authorized balance, purpose, and authority for each revolving fund/sub-assignment.**
5. **Develop and maintain on an ongoing basis accurate and up-to-date internal records that indicate the custodians and the current balance of each revolving fund/sub-assignment, including cash sub-assignments.**
6. **Periodically reconcile their internal revolving fund/sub-assignment records to the amount assigned in eCAPS, and maintain the reconciling documents.**

### **Imprest Funds and Fund Balances**

CFM Section 1.6.3 requires that each fund be maintained on an imprest basis. The assigned fund amount should consist of cash-on-hand, receipts/invoices for which reimbursement has not yet been requested, and reimbursement requests in process, but not received. In addition, CFM Section 1.6.4 states that the amount of a revolving fund should equal approximately one month's expenses.

The LADA does not maintain their revolving fund/sub-assignments on an imprest basis. For the three months reviewed, we noted four instances where the amount deposited into the revolving fund significantly exceeded the fund's expenditures. For example, we noted the Department deposited \$100,000 into a revolving fund that was only authorized for \$50,000, and could not provide receipts or documentation to support the reimbursement amount. The Department cumulatively exceeded their stated fund balance by more than \$87,000 over the three months.

We also noted that the LADA does not regularly analyze their revolving fund activity to determine the appropriate fund balance. For example, the LADA has a \$100,000 checking account sub-assignment for Extradition Travel Advances, but for the 12 months reviewed, the Department averaged \$22,000 a month, and did not spend more than \$38,000 in any single month. In addition, the LADA has a \$20,000 sub-assignment for victim emergencies that averaged \$3,500 a month and did not exceed \$6,500 in any single month.

The LADA management needs to maintain their revolving fund/sub-assignments on an imprest basis by ensuring that revolving fund cash, receipts, and pending reimbursements total the assigned fund amount at all times. The Department also needs to ensure that revolving fund reimbursements are supported by receipts or other supporting documentation, analyze their revolving fund activity to determine the appropriate fund amount, and work with the A-C to adjust the fund balances as required.

**Recommendations****District Attorney management:**

7. **Maintain their revolving fund/sub-assignments on an imprest basis by ensuring that revolving fund cash, receipts, and pending reimbursements total the assigned fund amount at all times.**
8. **Ensure that revolving fund reimbursements are supported by receipts or other supporting documentation.**
9. **Analyze their revolving fund activity to determine the appropriate fund amount, and work with the Auditor-Controller to adjust the fund balances as required.**

**Payroll Advances**

CFM Section 1.6.3 states that revolving funds should never be used to loan money to employees. Loans and advances are prohibited because of the potential for fraud or abuse.

Over the three months reviewed, we noted four instances, totaling \$2,100, where the LADA used their revolving fund to make payroll advances to employees. LADA management indicated that they had an unwritten policy of making advances to employees who do not receive their paychecks, or are underpaid, because of "payroll processing errors." However, CFM Section 3.2.3 states that if an employee does not receive a paycheck or is underpaid, the department should request a supplemental warrant from the A-C. The A-C generally issues supplemental warrants within three days, and can process a check immediately in emergencies.

While all four advances that we identified were repaid prior to our review, the LADA needs to immediately discontinue the practice of making payroll advances to employees, review all payroll advances made since the payroll advance policy was implemented, and ensure that all the advances have been repaid.

**Recommendations****District Attorney management:**

10. **Immediately discontinue making payroll advances to employees.**
11. **Review all payroll advances made since the payroll advance policy was implemented, and ensure that all the advances have been repaid.**

### **Revolving Fund Security**

As mentioned, departmental revolving funds may include a combination of both checking and cash accounts. At the time of our review, the LADA's internal records indicated they had 28 cash sub-assignments, totaling \$15,000, and eight checking sub-assignments, totaling \$1,042,000.

### **Statements of Responsibility**

CFM Section 1.6.3 states that for each revolving fund and sub-assignment, custodians must sign a Statement of Responsibility (SOR) form, updated at least annually or whenever fund custodians change. The SOR is an important component of the overall revolving fund control environment because it ensures each fund custodian has been notified of their individual accountability and responsibility for the assigned funds. The SORs must be approved by a supervisor and maintained centrally in the Department's business office.

We noted that the LADA does not have an SOR for their single revolving fund. In addition, for 16 (94%) of the 17 sub-assignments reviewed, the Department could not provide a current SOR. Specifically, eight (47%) sub-assignments did not have any SOR and, as a result, the Department could not always identify the custodians who were responsible for sub-assignments as indicated in the Cash Accounts section below. In addition, eight (47%) sub-assignments had SORs that were an average of two years old, including one that was not approved by a supervisor.

To ensure accountability and control over revolving funds, LADA management needs to ensure that SORs are signed and approved annually for each revolving fund and sub-assignment, and whenever fund custodians change, and that the SORs are maintained in the Department's business office.

### **Recommendation**

- 12. District Attorney management ensure that Statement of Responsibility forms are signed and approved annually for each revolving fund and sub-assignment, and whenever fund custodians change, and that the Statement of Responsibility forms are maintained in the Department's business office.**

### **Fund Custodians**

CFM Section 1.6.3 requires a separate custodian for each revolving fund and sub-assignment. We noted that for six (75%) of the eight sub-assignments for which an SOR was available, the Department did not assign separate custodians. Specifically, one employee was the custodian of four accounts and another employee was the custodian of two accounts. To reduce the potential for comingled funds, LADA

management needs to assign a separate custodian to each revolving fund and sub-assignment.

### **Recommendation**

- 13. District Attorney management assign a separate custodian to each revolving fund and sub-assignment.**

### **Cash Accounts**

CFM Section 1.6.3 requires quarterly surprise cash counts for revolving funds of \$200 or more, and annual surprise cash counts for revolving funds of less than \$200. The CFM also requires departments to keep revolving funds secure at all times and maintained separately from custodians' personal funds.

We reviewed nine of the LADA's cash accounts, totaling \$12,400, and noted that for eight (89%) accounts, totaling \$12,300, the LADA did not conduct surprise cash counts as required. Specifically, for five accounts with fund amounts over \$200, the Department conducted annual non-surprise cash counts, and for three accounts with a fund amount under \$200, the Department did not conduct any cash counts.

In addition, we noted that five (56%) cash accounts, totaling \$1,900, were not kept secure. Specifically, for three accounts totaling \$1,700, custodians followed an unwritten practice of depositing funds and making expenditures from their personal bank accounts, and returning the receipts and remaining unspent funds to the LADA at the end of the year. For the remaining two accounts, totaling \$200, the LADA could not identify the custodians or locate the cash. LADA management should contact the A-C's Office of Countywide Investigations to report missing cash as required by CFM Sections 14.1.1 and 14.1.2.

### **Recommendations**

#### **District Attorney management:**

- 14. Ensure surprise cash counts are conducted annually/quarterly as required by the County Fiscal Manual.**
- 15. Ensure revolving funds are kept secure at all times, and maintained separately from custodians' personal funds.**
- 16. Contact the Auditor-Controller's Office of Countywide Investigations to report missing cash.**

### Checking Accounts

CFM Sections 4.6.2 and 4.6.9 state that departments must limit the number of authorized check signers, and that checks over \$500 require two signatures.

We reviewed the account activity for LADA's eight checking account sub-assignments over a one-month period and noted:

- **Excessive Check Signers** – For six (75%) accounts, the Department has an excessive number of check signers. Specifically, we noted that for each checking account the Department authorized nine staff/managers to sign checks. However, over the period reviewed, three staff signed 99% of the checks and three staff/managers did not sign any checks. LADA management needs to evaluate and reduce the number of authorized signers for each checking account as required by the CFM.
- **Missing Required Signatures** – For two (25%) accounts, the Department did not always obtain two signatures for checks over \$500. Specifically, we noted that 51 (72%) of the 71 checks over \$500 only had one signature. LADA management needs to ensure that all checks over \$500 have two signatures.

### Recommendation

17. **District Attorney management evaluate and reduce the number of authorized signers for each checking account, and ensure that all checks over \$500 have two signatures as required by the County Fiscal Manual.**

### Bank Reconciliations

CFM Section 1.2.3 indicates bank reconciliations must be completed and differences (e.g., bank errors, ledger errors, etc.) resolved before the next statement period. In addition, all reconciliations must be signed and dated by the persons who prepared and reviewed/approved the reconciliations.

We reviewed bank reconciliations for all eight checking accounts over a two-month period and noted:

- Seven (88%) accounts were not reconciled timely. Six accounts were reconciled an average of 51 days after the bank statement's end date, and one account, with a balance of \$450,000, had not been reconciled for over nine months.
- Four (50%) accounts had reconciliation differences that were not resolved timely. For example, one reconciliation indicated that a \$9,000 overage had not been resolved for over four years and the Department could no longer determine the cause of the discrepancy.

- For one (13%) account, the preparers and approvers did not sign and date the reconciliations.

**Recommendations****District Attorney management:**

- 18. Ensure checking account reconciliations are completed timely, and any differences are resolved before the next statement period.**
- 19. Ensure the individuals who prepare and review/approve checking account reconciliations sign and date them.**

**Centralized Revolving Fund**

The Department's single revolving fund is relatively large, serves several widely different purposes, and consists of eight primary sub-assignments, many with multiple sub-assignments of their own among various Departmental units. While the Department attempted to establish a centralized process to account for these funds, it appears the number of different accounts and units involved contributed to the Department's difficulty in maintaining accurate records.

LADA management should evaluate cancelling the Department's single revolving fund, establishing separate, decentralized revolving funds for each primary purpose/function, and assigning accountability for each fund to a specific unit. We believe this would simplify the recordkeeping for each of the individual accounts, improve the transparency of each fund's activity/use in eCAPS, and assist the Department in identifying funds that should be increased, decreased, or closed.

**Recommendation**

- 20. District Attorney management evaluate cancelling their single revolving fund, establishing separate, decentralized revolving funds for each primary purpose/function, and assigning accountability for each fund to a specific unit.**

**GENERAL PURCHASING AND PAYMENT CONTROLS****Revolving Fund Purchases**

CFM Section 1.6.2 states that departments must ensure revolving funds are only used for their intended purpose. In addition, CFM Chapter 4 requires departments to obtain two approvals for purchases over \$100, mark supporting documentation (e.g., receipts, invoices, etc.) "paid" to prevent reuse, and states that check signers must review the supporting documentation for accuracy before signing checks.

We reviewed 32 revolving fund payments totaling \$125,000, and noted:

- **Insufficient/Undocumented Purchase Approvals** – For 24 (75%) purchases, totaling \$51,400, staff/management did not obtain the required approvals. Specifically, in ten instances totaling \$1,900, the Department did not document any approvals, and in 14 instances totaling \$49,500, the Department only documented one approval.
- **Restricted Purchases** – For ten (31%) payments, totaling \$17,400, the purchase did not comply with revolving fund purchasing rules and should not have been made with revolving funds. Specifically, five payments totaling \$17,300 were used to reimburse travel expenses from a fund that was designated only for advances. The remaining five payments, totaling \$100, were used for gasoline and business-related meals, which do not comply with the fund's purpose and/or are prohibited per CFM Section 4.6.5. The Department has gasoline credit cards for fuel purchases, and an incidental expense account with a \$5,000 annual purchasing limit for business-related meals.
- **Restricting Reprocessing of Paid Receipts/Invoices** – For 28 (88%) payments, totaling \$119,000, staff did not mark receipts/invoices "paid" to prevent reuse.

During our review, we also noted two instances, totaling \$2,900, where the Department issued a check to a vendor in error. In both instances, the Department issued payment without carefully reviewing receipts/invoices; in one instance the Department sent a duplicate payment, and in the other instance the Department paid for services that had not been received. While the vendors returned the extra payments and staff voided the checks prior to our review, LADA management needs to ensure that staff thoroughly review invoices/receipts before issuing revolving fund payments.

### **Recommendations**

#### **District Attorney management:**

21. **Ensure staff obtain all approvals before purchases are made, and maintain approval documentation in the payment files.**
22. **Ensure revolving funds are used only for their intended purposes, and not used to purchase items prohibited by the County Fiscal Manual.**
23. **Ensure staff mark receipts/invoices "paid" to prevent reprocessing.**
24. **Ensure staff thoroughly review receipts/invoices before issuing revolving fund payments.**

### **General Purchasing Controls**

The LADA's Procurement Unit and Accounts Payable Unit have primary responsibility for the Department's procurement and payment functions. The Procurement Unit reviews purchase requisitions, obtains price quotes, and orders goods/services. The Accounts Payable Unit matches the purchasing and receiving documents with the vendor invoice before authorizing payments.

CFM Section 4.1.3 states that staff preparing/approving purchase orders should not be in a position to acknowledge receiving the items purchased. In addition, CFM Section 4.4.2 indicates that requisitions must have at least two approvals, each with the appropriate authority level, and that staff must only order goods/services that are supported by a requisition. For the 12 months reviewed, the Department issued approximately 5,000 payments totaling \$2.7 million for agreement and non-agreement purchases.

We reviewed 40 agreement/non-agreement purchases, totaling approximately \$394,000, and noted the following:

- **Inadequate Separation of Duties** – For nine (23%) purchases, totaling \$59,000, the LADA did not maintain an adequate separation of duties. Specifically, for all nine purchases the same employees ordered the goods, entered the purchase orders on eCAPS, and also received the items they ordered.
- **Insufficient Requisition Approvals** – For seven (18%) purchases, totaling \$157,000, the requisitions were only approved by one individual instead of two and/or did not include the proper level of manager approval, which is determined by the total amount of the purchase as required by the CFM.
- **Unsupported Purchases** – For seven (18%) purchases, totaling \$69,000, LADA staff ordered an additional \$5,000 in goods/services for upgrades and/or additional items that were not approved on the requisition.

### **Recommendations**

#### **District Attorney management:**

25. **Ensure staff/managers who prepare/approve purchase orders are not attesting to receipt of items that they purchased.**
26. **Ensure two managers/staff at the required approval levels approve each requisition prior to an order being placed, and that staff only order the goods/services indicated on the approved purchase requisition.**



### **General Payment Controls**

CFM Section 4.5.2 requires staff to review receiving documents provided by vendors (e.g., packing slips, etc.), verify that all items have been received, and record results on receiving documents. For services, the invoice must be marked to clearly indicate services were received. In addition, CFM Sections 4.5.5 and 4.5.13 require departments to pay vendors within 30 days of receiving invoices and take all available discounts.

We reviewed 40 purchases, totaling \$394,000, and noted the following:

- **Missing/Incomplete Receiving Documents** – For 18 (45%) purchases, totaling \$183,000, the LADA issued payment without sufficient receiving documentation. Specifically, for four purchases, the Department could not provide documentation that they received the goods/services. For the remaining 14 purchases, the receiving document did not clearly indicate that goods/services were received. For example, for one of these purchases, totaling \$17,300, staff/management wrote “ok to pay” on the vendor’s proposal, which does not indicate whether goods/services have been received. LADA management needs to ensure staff clearly document that goods/services have been received before paying vendors, and maintain copies of the documentation.
- **Late Payments** – For seven (18%) purchases, totaling \$89,000, the LADA issued payment for received goods/services an average of 88 days after receiving the invoice, and did not take an available discount, totaling \$40. LADA management needs to ensure that staff pay vendors within 30 days of receiving goods/services and the invoice, and that all available discounts are taken.
- **Misreported Receiving Documents/Invoices** – For five (13%) purchases, totaling \$65,000, the LADA did not enter receiving documents and/or vendor invoices into eCAPS, as they were received. For example, staff did not enter 73 receiving documents/invoices received over a six-month period, until after staff requested and received a single consolidated invoice from the vendor. This resulted in two of the late payments noted above and could result in lost discounts. LADA management needs to ensure staff enter receiving documents and invoices timely and accurately into eCAPS.

### **Recommendations**

**District Attorney management:**

- 27. Ensure staff clearly document that goods/services have been received before paying vendors, and maintain copies of the documentation.**
- 28. Ensure staff pay vendors within 30 days of receiving goods/services and the invoice, and that all available discounts are taken.**

**29. Ensure staff enter receiving documents and invoices timely and accurately into eCAPS.**

**Non-Agreement Purchases**

For items not covered by an Internal Services Department (ISD) purchase agreement (non-agreement purchases), the LADA can make purchases under \$1,500 with at least one price quote. The LADA must request at least three price quotes for non-agreement purchases between \$1,500 and \$10,000, unless the item is only available from one vendor and could not be easily substituted (sole source purchases). Sole source purchases between \$1,500 and \$5,000 must be accompanied by a detailed justification and, as stated in the County's Purchasing Policies, be processed by ISD if they exceed \$5,000.

For the 12-month period reviewed, the Department made approximately 1,700 non-agreement purchases totaling over \$600,000. We reviewed non-agreement purchases and noted the following:

- **Inadequate Price Quotes** – We reviewed 14 non-emergent purchases between \$1,500 and \$10,000 totaling \$77,000, and noted that for seven (50%) purchases, totaling \$38,300, the LADA did not request three price quotes as required. Specifically, for four purchases, the Department requested only one quote, and for the other three purchases the LADA requested only two of the three required quotes.
- **Inappropriate Vendor Solicitations/Selections** – For three (21%) of the 14 non-emergent purchases, totaling \$18,700, the LADA gave some vendors additional time to provide a price quote. For example, the LADA worked with one vendor for a month to obtain a bid for goods, and did not require a specific deadline. After the vendor provided a quote, the Department requested quotes from other potential vendors, but included a two-day hard deadline. The LADA later selected the vendor they had been working with because the other potential vendors did not provide bids within two days.

In another instance, the Department would not extend the bid deadline and paid an extra \$2,000 for services because a competing bid arrived one minute after the LADA's deadline. These types of inconsistent policies and practices can give the appearance that the Department is showing favoritism to certain vendors and is not acting in the best interest of the County.

- **Insufficient Sole Source Justification** – We reviewed six sole source purchases totaling \$37,000, and noted that for four (67%) purchases, totaling \$29,000, the LADA processed the purchases without sufficient justification to support that the goods/services were not available through other vendors. For example, the Department purchased video enhancement software, totaling \$8,900, without documenting whether similar software could meet the LADA's

needs. Based on our review, it appeared comparable software was available from additional vendors. In addition, three of the sole source purchases were over \$5,000 and should have been processed by ISD.

- **Split Purchases** – We reviewed five potential split non-agreement purchases, totaling \$15,100, and noted that for four (80%) purchases, totaling \$13,300, the LADA appeared to split the purchases to circumvent price quote limits. For example, one employee created four separate purchase orders to the same vendor, for the same type of service, within 90 minutes. Although each purchase order was under the \$1,500 limit for obtaining price quotes, the four purchase orders totaled \$4,800.

LADA management indicated that staff used a non-agreement purchase order in error, and that price quotes would not have been required if staff had used the correct purchase method. While it is true that a different purchasing method could have been used that would not have required price quotes, this does not justify splitting purchases and circumventing controls for the method that was actually used.

### **Recommendations**

#### **District Attorney management:**

30. **Ensure that price quotes are requested and evaluated in a consistent manner as required by County purchasing policies.**
31. **Ensure staff justify sole source purchases, and that purchases exceeding the Department's delegated purchasing authority are processed through the Internal Services Department.**
32. **Ensure staff do not split purchases to circumvent purchasing controls.**

### **Vendor Overbilling**

During our review of potential split purchases, we identified one vendor that submitted seven invoices for two months of translation services. While comparing the invoices, we noted nine instances where the vendor overcharged a total of \$2,300. In eight instances, the same individual charged for translation services at two different locations at an identical time. In all eight instances, LADA staff signed the supporting documentation to indicate that services had been received. In the other instance, the vendor submitted the same invoice twice, and staff noted a potential issue, but paid the invoice by changing the invoice number and creating a new purchase order.

LADA management needs to research all payments made to the identified translation services vendor to determine total overcharges, initiate overpayment recovery procedures, and evaluate whether the Department should take additional action(s)

against the vendor. In addition, LADA staff should ensure services were received before approving invoices for payment, and establish procedures to ensure that staff investigate potential vendor invoicing discrepancies before approving payments.

### **Recommendations**

#### **District Attorney management:**

- 33. Research all payments made to the identified translation services vendor to determine total overcharges, initiate overpayment recovery procedures, and evaluate whether the Department should take additional action(s) against the vendor.**
- 34. Ensure staff confirm services were received before approving invoices for payment, and establish procedures to ensure that staff investigate potential vendor invoicing discrepancies before approving payments.**

### **Purchase Requisitions**

CFM Chapter 4 requires department staff to complete purchase requisitions to request items, and obtain management approval. Purchases should not be initiated until the department has properly approved requisitions and purchase orders, so there is no ambiguity about what is being purchased, the agreed upon pricing, and the availability of funds.

We noted the Department created blanket purchase requisitions to purchase unlimited services from specified vendors. For example, the Department created and approved a blanket purchase requisition to pay court reporter invoices, but did not identify the cost, hours, date(s) of service, etc.

A blanket purchase requisition defeats the intended control and greater transparency inherent in management's approval of individual requests, and does not include information such as specific items or quantities that staff need to create purchase orders. The LADA's practice results in purchases proceeding without pre-approval. In addition, LADA staff are relying on vendor invoices to determine the items and quantities purchased, because the practice of using blanket purchase requisitions bypasses the need to prepare requisitions that could be used to match items and quantities ordered and received.

LADA management needs to discontinue their practice of creating blanket purchase requisitions that effectively bypass required purchasing procedures. In addition, LADA management should ensure that all purchases are supported by approved requisitions that clearly identify the items and quantities of goods and services requested.

**Recommendations****District Attorney management:**

- 35. Discontinue their practice of creating blanket purchase requisitions that effectively bypass required purchasing procedures.**
- 36. Ensure that all purchases are supported by approved requisitions that clearly identify the type and quantity of goods and services requested.**

**Commodity Codes**

In order to achieve volume discounts, ISD establishes agreements with vendors for commonly purchased items. Each item is assigned a unique commodity code in eCAPS that indicates whether the item is available through a vendor agreement. When staff enter purchases into eCAPS, the System will notify them if a vendor agreement exists for that item. To ensure departments receive the negotiated agreement prices, staff must enter the correct commodity codes into eCAPS.

We reviewed 20 purchases and noted that for 14 (70%), totaling \$88,000, the LADA entered incorrect commodity codes into eCAPS. As a result, the Department did not identify items that were available through a vendor agreement in eCAPS, resulting in purchases that exceeded agreement pricing by \$1,200.

**Recommendation**

- 37. District Attorney management ensure staff enter correct commodity codes into eCAPS.**

**Miscellaneous Purchases**

CFM Section 4.1.6 states that miscellaneous purchases are distinct types of expenditures (e.g., various legal expenditures, utility charges, travel expenditures, etc.) that should be encumbered against the department's appropriation as a Miscellaneous Charge (MC). While MC's do not have certain purchasing restrictions such as transaction limits or bid requirements, other common requirements such as approvals still apply. For the 12 months reviewed, the Department issued approximately 1,400 MC payments totaling \$4.4 million.

We reviewed 20 MC purchases, totaling \$139,000, and noted that for 15 (75%), totaling \$125,000, staff did not obtain proper authorization prior to the purchase, including some with multiple errors. Specifically:

- For ten (50%) purchases, totaling \$97,000, staff ordered goods/services before the purchase request was created.

- For 12 (60%) purchases, totaling \$88,800, the approvers did not indicate the date of their approval.
- For 11 (55%) purchases, totaling \$86,000, the purchase request was approved by only one individual rather than two as required by CFM Section 4.4.2. We also noted the Department's internal MC request form does not require two approvers.

In addition, we noted that for two (10%) transactions, totaling \$30,000, the LADA purchased training services, which is not an allowable MC use. The Department did not obtain three bids or use a Purchase Order for Training Document (POTR) as required by ISD guidelines for training purchases. The POTR document requires the Department to record training purchase bid information.

### **Recommendations**

#### **District Attorney management:**

- 38. Ensure Miscellaneous Charge purchase requests are prepared, including at least two approval signatures and approval dates, before staff order goods/services.**
- 39. Modify the internal requesting documents to require at least two approvers and the approval dates for all Miscellaneous Charge purchase requests.**
- 40. Ensure staff comply with County and the Internal Services Department guidelines for bidding and purchasing training services.**

### **Frequently Purchased Goods and Services**

ISD works with vendors to establish the best agreement prices possible, and County Purchasing Policies state that departments should report frequently purchased goods and services to ISD annually for potential agreement bidding and/or contracts.

During the 12 months reviewed, we noted that the Department issued approximately 1,600 payments totaling \$785,000 for transcriptions and translation services; however, the Department did not work with ISD to establish an agreement and/or contract. To ensure that the Department obtains the best prices, the LADA should work with ISD to solicit bids, and establish agreements and/or contracts for transcription and translation services, or other frequently used goods and services.

### **Recommendation**

- 41. District Attorney management work with the Internal Services Department to solicit bids, and establish agreements and/or contracts**

**for transcription and translation services, or other frequently used goods and services.**

### **Conflicts of Interest**

The LADA uses interpreters to provide transcription/translation services to assist with the Department's investigations and prosecutions. Specifically, the LADA uses interpreters for the translation and transcription of audio recordings and with potential victims, witnesses, and suspects.

We reviewed ten transcription/translation services payments and noted six (60%) instances (involving ten court cases) where the LADA contracted with Superior Court's (Court) translators for transcription/translation services. In two (20%) of the ten cases, the same individual later translated for the Court on the identical case.

Interpreters who provide translation services for the Court and also assist the prosecution may have a perceived and/or actual conflict of interest, particularly when the services are provided for the same case. Since these interpreters are employees of the Court, LADA management should work with the Court to determine whether procedures should be established to ensure that interpreters do not assist in the investigation or prosecution of cases that may require their translation services for the Court or the defense on the same case. We spoke with Court managers who indicated they are drafting a policy regarding this practice.

### **Recommendation**

- 42. District Attorney management work with the Superior Court to determine whether procedures should be established to ensure that interpreters do not assist with the investigation or prosecution of cases that may require their translation services for the Court or the defense on the same case.**

## **ACCOUNTS PAYABLE AND COMMITMENTS**

Departments establish accounts payable for goods and services that were received, but were not paid, by fiscal year end. Commitments are established to reserve budgeted funds for goods and services that were ordered or contracted for, but not received, by fiscal year end. While accounts payable are automatically cancelled at the end of the subsequent year, commitments are carried forward to future years. Departments should review their accounts payable and commitments to ensure they are accurate, and cancel as soon as possible any payables/commitments that are no longer needed since outstanding accounts payable and commitments reduce the County's available fund balance.

### **Accounts Payable**

At the beginning of FY 2013-14, the LADA had 102 accounts payable totaling \$212,000. We reviewed ten payables totaling approximately \$34,000, and noted that all ten (100%) payables were not needed at the time of our review and should have been cancelled. In addition, the Department does not reconcile their accounts payable to eCAPS monthly, as required by CFM Sections 4.2.2 and 4.2.3, to ensure that they are properly recorded in the Department's subsidiary ledgers.

We also reviewed 20 prior-year and current-year payments, totaling \$473,000, and noted that for two (10%) payments, totaling \$11,000, the Department paid for goods/services using current year funds even though goods/services were ordered and received in the prior fiscal year. The Department should have established an accounts payable for the purchase and charged the good/services as a prior year expenditure. In addition, for one payment, totaling \$100,000, we could not determine if the correct fiscal year was charged because the Department could not provide supporting documentation to indicate when goods/services were ordered or received.

### **Recommendations**

#### **District Attorney management:**

- 43. Ensure staff establish, review, and cancel accounts payable in consistent compliance with County Fiscal Manual policy, and ensure that purchases are charged to the fiscal year during which goods/services are received.**
- 44. Ensure staff maintain supporting documentation for all accounts payable, and reconcile payables to eCAPS.**

### **Commitments**

As mentioned, commitments are established to reserve budgeted funds for goods and services that were ordered or contracted for, but not received, by fiscal year end. Since commitments are automatically carried forward to future years, departments should review their commitments to ensure they are accurate and cancel them when they are no longer needed.

At the beginning of FY 2013-14, the LADA had 168 commitments totaling \$737,000, including three contract commitments totaling \$305,000. We reviewed ten commitments totaling approximately \$101,000, and noted that for eight (80%) commitments, totaling approximately \$70,000, the Department could not provide documentation that the commitments needed to be established.

We also reviewed ten commitment payments totaling \$178,000, including three contract payments totaling \$68,000, and noted that for all three contract payments, the



Department charged expenditures to a prior fiscal year even though the contract Board letters indicated that the LADA should charge expenditures to the year that the expenses were incurred. LADA management indicated that they prefer to charge expenditures to previous fiscal year encumbrances before using the current year's encumbrance. The LADA's practice violates CFM Section 4.1.7 which states that departments should charge contract expenditures based upon the terms of the Board approved contract.

### **Recommendation**

- 45. District Attorney management ensure fiscal staff conduct timely monitoring, adjustment, and cancellation of commitments, and ensure that contract purchases are charged to the fiscal year indicated by the terms of the contract approved by the Board of Supervisors.**

## **ELECTRONIC COUNTYWIDE PURCHASING AND ACCOUNTING SYSTEM**

### **eCAPS Security**

eCAPS allows authorized departmental personnel to initiate and approve transactions online, such as purchases and payments. The CFM specifies that each eCAPS user's access needs to be based upon the type of transaction (e.g., requisitions, payments, etc.) required by the user's duties. Departments should periodically review each eCAPS user's access for applicability to their current duties and to ensure an appropriate separation of duties exist to reduce the risk of abuse.

We noted the LADA does not adequately review each eCAPS user's access, and the LADA allowed staff to be assigned incompatible eCAPS security roles. Specifically, we reviewed the LADA's eCAPS user list and noted:

- Six users were given access beyond their job responsibilities, which is prohibited by CFM Section 8.7.4.
- Two users could encumber funds and approve payments, which is prohibited by CFM Section 4.1.8.
- Two users could approve both payments and additions or modifications to customer/vendor information, which is prohibited by CFM Section 4.5.5.

LADA management needs to review their employees' current eCAPS user access privileges, and eliminate roles that are not in compliance with County policies. In addition, LADA management needs to implement procedures to periodically review the eCAPS user lists to ensure continued compliance.

**Recommendation**

- 46. District Attorney management review their employees' current eCAPS user access privileges, eliminate roles that are not in compliance with County policies, and implement procedures to periodically review the eCAPS user lists to ensure continued compliance.**

**eCAPS Pending/Rejected Transactions**

If eCAPS cannot process a transaction due to missing information, approvals, etc., the System indicates that the status of the transaction is pending/rejected. Departments are required to review their pending/rejected transactions at least weekly, and correct the errors so the transactions can be processed.

At the time of our review, the LADA had 551 transactions, totaling \$674,000, in pending/rejected status. We noted 443 (80%) of the pending/rejected transactions were over 7 days old, and 266 (48%) of the pending/rejected transactions were more than six months old. LADA management needs to ensure staff review eCAPS weekly to identify and resolve transactions that have been pending/rejected for extended periods of time.

**Recommendation**

- 47. District Attorney management ensure that staff review eCAPS weekly to identify and resolve transactions that have been pending/rejected for extended periods of time.**

**TRAINING AND DESK PROCEDURES**

Departmental management should ensure that staff are appropriately trained and comply with County policies when performing their job assignments. In addition, as indicated in our December 16, 2009 Countywide memo, departments should develop specific desk procedures to outline employees' duties and the steps required to complete their assignments. Desk procedures can help employees maintain compliance with County policies and procedures and close training gaps.

This report identifies a number of significant weaknesses in the Department's fiscal processes. As indicated at the beginning of this report, in some instances staff appear to have knowingly violated policies for the sake of expediency. However, in other instances staff indicated that they did not have desk procedures and they followed past practices/procedures and/or appeared unaware they had violated County policy.

**Recommendations****District Attorney management:**

- 48. Establish a training program for staff and managers on County policies and procedures applicable to the findings in this report.**
- 49. Develop and implement specific desk procedures applicable to the findings in this report.**

**INTERNAL CONTROL CERTIFICATION PROGRAM**

The A-C developed the Internal Control Certification Program (ICCP) to assist County departments in evaluating and improving internal controls over fiscal operations. Departments must review and evaluate controls in key fiscal areas, and certify that proper controls are in place, or that action is being taken to correct any deficiencies or weaknesses noted.

Many of the issues noted in the LADA's procurement operations should have been identified when the LADA completed their ICCP. LADA management should ensure that ICCP questionnaires are completed accurately, all internal control weaknesses are identified, and an improvement plan is developed and implemented to address each weakness identified.

**Recommendation**

- 50. District Attorney management ensure that Internal Control Certification Program questionnaires are completed accurately, all internal control weaknesses are identified, and an improvement plan is developed and implemented to address each weakness identified.**



JACKIE LACEY  
LOS ANGELES COUNTY DISTRICT ATTORNEY

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HALL OF JUSTICE  
211 WEST TEMPLE STREET, SUITE 1200 LOS ANGELES, CA 90012-3205 (213) 974-3500

August 16, 2016

TO: JOHN NAIMO  
Auditor-Controller

FROM: JACKIE LACEY   
District Attorney

SUBJECT: DISTRICT ATTORNEY'S RESPONSE TO THE AUDITOR-  
CONTROLLER PROCUREMENT REVIEW

Attached for your review is the District Attorney's response to the recommendations submitted per the Auditor-Controller's Procurement Review. After careful review of your recommendations, we generally agree with your overall report. We have either implemented or have started to implement the recommendations as indicated in the attached response summary.

We appreciated the opportunity to meet with your staff and to have a better understanding of the Procurement Review findings and recommended solutions.

If you have any questions or concerns regarding the responses, you may contact me or your staff may contact Priscilla Cruz, Director, Bureau of Administrative Services, at (213) 257-2774, or at [pcruz@da.lacounty.gov](mailto:pcruz@da.lacounty.gov).

JL:pc

Attachment

**DISTRICT ATTORNEY'S OFFICE  
RESPONSE TO AUDITOR-CONTROLLER'S  
PROCUREMENT REVIEW**

**RECOMMENDATIONS**

Management Oversight

1. Establish strategies that set a clear tone of fiscal responsibility, accountability, and compliance with County policies and procedures.
2. Establish management oversight and control mechanisms to ensure strategies are sustained and permeate all facets of the Department's administrative activity.

*District Attorney Response: The Department has reviewed the findings and recommendations of this review and has completed the implementation of changes in the management of our administrative activities to ensure compliance with County policies and procedures. These corrective actions are detailed in the responses set forth throughout the remainder of this review.*

Revolving Funds

3. Fully reconcile the total revolving fund, identify the cause and location of all excess funds, and work with the Auditor-Controller's Accounting Division to return the excess amounts and/or correct the fund balance reported in the electronic Countywide Accounting and Purchasing System.
4. Develop and maintain documentation that indicates the authorized balance, purpose and authority for each revolving fund/sub-assignment.
5. Develop and maintain on an ongoing basis accurate and up-to-date internal records that indicate the custodian and the current balance of each revolving fund/sub-assignment, including cash sub-assignments.
6. Periodically reconcile their internal revolving fund/sub-assignment records to the amount assigned in the electronic Countywide Accounting and Purchasing System, and maintain the reconciling documents.

*District Attorney Response: The Department developed and is up-to-date with all internal records that identify each revolving fund; the various fund custodians; the appropriate account balance for each revolving fund, including cash sub-assignments in accordance with County Fiscal policy. The Department is in the process of re-attaining Auditor-Controller's authorization for each revolving fund, revolving fund account balance, and purpose for each revolving fund account. Additionally, the Department worked with the Auditor-Controller's, Accounting*

**Response to Auditor-Controller's Procurement Review**

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*Division to correct the excess amounts in the revolving funds identified by this audit. The Department will also ensure that the revolving fund is reconciled to the amount assigned in the electronic Countywide Accounting and Purchasing System, and maintain the reconciling documents. Each revolving fund is also now reconciled timely by a separate Reconciliation Unit.*

**Imprest Funds and Fund Balances**

7. Maintain their revolving fund/sub-assignments on an imprest basis by ensuring that revolving fund cash, receipts, and pending reimbursements total the assigned fund amount at all times.
8. Ensure that revolving fund reimbursements are supported by receipts or other supporting documentation.
9. Analyze their revolving fund activity to determine the appropriate fund amount, and work with the Auditor-Controller to adjust the fund balances as required.

*District Attorney Response: Corrective action has been taken and the Department now maintains each revolving fund/sub-assignment on an imprest cash basis at all times for each appropriate revolving fund, and ensures that the account balance is reconciled and maintained, including supporting receipts and documentation, at the assigned fund amount. The Department has analyzed the fund activity and the fund has been determined to be at the appropriate amount. The Department will work with the Auditor-Controller if the fund balance requires adjustment.*

**Payroll Advances**

10. Immediately discontinue making payroll advances to employees.
11. Review all payroll advances made since the payroll advance policy was implemented, and ensure all the advances have been repaid.

*District Attorney Response: The Department immediately discontinued making payroll advances to any employee. The Department has confirmed that all the advances have been repaid.*

**Revolving Fund Security**

12. District Attorney management ensure that Statements of Responsibility (SOR) are signed and approved annually for each revolving fund and sub-assignment, and whenever fund custodians change, and that the SORs are maintained in the Department's business office.

*District Attorney Response: The Department has corrected and now maintains the practice of ensuring a Statement of Responsibility (SOR) is completed annually or*

**Response to Auditor-Controller's Procurement Review**

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*whenever the fund custodian changes (at a minimum). The Department also ensures that SORs are maintained in its Budget & Fiscal Services Division.*

**Fund Custodians**

13. District Attorney management assign a separate custodian to each revolving fund and sub-assignment.

*District Attorney Response: LADA is unable to assign separate custodians to each revolving fund and sub-assignment because of insufficient staffing. The Department will request an exception from the Auditor-Controller's Audit Division. A SOR is maintained for each revolving fund; each one is now reconciled timely by a separate Reconciliation Unit.*

**Cash Accounts**

14. Ensure surprise cash counts are conducted annually/quarterly as required by the County Fiscal Manual.
15. Ensure revolving funds are kept secure at all times, and maintained separately from custodians' personal funds.
16. Contact the Auditor-Controller's Office of Countywide Investigations to report missing cash.

*District Attorney Response: The Department is now conducting and counting each custodian's allotted funds on a surprise basis annually and/or quarterly to ensure all funds are kept secure and maintained separately from custodians personal funds at all times. In addition, the Department worked with the Auditor-Controller's Accounting Division to correct the missing cash on June 4, 2015, and the issue was resolved on September 9, 2015. The Auditor-Controller's Office replenished the lost funds. The Auditor-Controller's Accounting Division reported the missing cash to the Office of Countywide Investigation as part of their resolution, and before replenishing the lost funds.*

**Checking Accounts**

17. District Attorney management evaluate and reduce the number of authorized signers for each checking account, and ensure that all checks over \$500 have two signatures as required by the County Fiscal Manual.

*District Attorney Response: The Department evaluated and reduced the number of authorized signers to include only Section Manager's or above for each checking account. In addition, the Department now ensures that all checks over \$500 have two signatures as required by the County Fiscal Manual.*

Response to Auditor-Controller's Procurement Review

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Bank Reconciliations

18. Ensure checking account reconciliations are completed timely, and any differences are resolved before the next statement period.
19. Ensure the individuals who prepare and review/approve checking account reconciliations sign and date them.

*District Attorney Response: The Department has completed all checking account reconciliations and continues to complete them timely. In addition, the Department worked with the bank to resolve any reconciling items on the statements and has ensured that staff reconciliations are properly reviewed, approved timely, signed and dated.*

Centralized Revolving Fund

20. District Attorney management evaluate cancelling their single revolving fund, establishing separate, decentralized revolving funds for each primary purpose/function, and assigning accountability for each fund to a specific unit.

*District Attorney Response: The Department has evaluated this recommendation and determined, after consulting with the Auditor-Controller's Accounting Division, that the single fund is more conducive to the Department's fiscal operation needs.*

**GENERAL PURCHASING AND PAYMENT CONTROLS**

Revolving Fund Purchases

21. Ensure staff obtain all approvals before purchases are made, and maintain approval documentation in the payment files.
22. Ensure revolving funds are used only for their intended purposes, and not used to purchase items prohibited by the County Fiscal Manual.
23. Ensure staff mark receipts/invoices "paid" to prevent reprocessing.
24. Ensure staff thoroughly review receipts/invoices before issuing revolving fund payments.

*District Attorney Response: All revolving fund payments are now being thoroughly reviewed before issuing revolving fund payments. We also added use of a stamp with the text "Approved by" next to the approval signature so that it is clear that each payment was approved. In compliance with the County Fiscal Manual, the Department now ensures that revolving funds are used only for their intended*



Response to Auditor-Controller's Procurement Review

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*purposes, that all appropriate approvals are documented before purchases are made, and approval documentation is maintained in the payment files, including appropriate "paid" stamps to prevent reprocessing.*

General Purchasing Controls

25. Ensure staff/managers who prepare/approve purchase orders are not attesting to receipt of items that they purchased.
26. Ensure two managers/staff at the required approval levels approve each requisition prior to an order being placed, and that staff only order the goods/services indicated on the approved purchase requisition.

*District Attorney Response: The Department has implemented a Procurement policy change outlining controls to prevent all staff/managers who prepare/approve purchase orders from receiving items purchased and ensures staff only order goods/services indicated on the approved purchase requisition. Further, each requisition requires two managers/staff signatures for approval before an order is placed.*

General Payment Controls

27. Ensure staff clearly document that goods/services have been received before paying vendors, and maintain copies of the documentation.
28. Ensure staff pay vendors within 30 days of receiving goods/services and the invoice, and that all available discounts are taken.
29. Ensure staff enter receiving documents and invoices timely and accurately into the electronic Countywide Accounting and Purchasing System.

*District Attorney Response: The Department has implemented controls to ensure staff clearly document goods/services are received prior to paying vendors, receiving documents and invoices are entered timely and accurately, vendors are paid within 30 days, and that all available discounts are taken.*

Non-Agreement Purchases

30. Ensure that price quotes are requested and evaluated in a consistent manner as required by County purchasing policies.
31. Ensure staff justify sole source purchases, and that purchases exceeding the Department's delegated authority are processed through the Internal Services Department.
32. Ensure staff do not split purchases to circumvent purchasing controls.

*District Attorney Response: The Department has implemented procedures to ensure staff request and evaluate quotes in a consistent manner, justify sole sources, do not split purchases, and ensure that purchases exceeding the Department's delegated authority are processed through the Internal Services Department as required by County Purchasing policies.*

Vendor Overbilling

33. Research all payments made to the identified translation services vendor to determine total overcharges, initiate overpayment recovery procedures, and evaluate whether the Department should take additional action(s) against the vendor.
34. Ensure staff confirm services were received before approving invoices for payment, and establish procedures to ensure that staff investigate potential vendor invoicing discrepancies before approving payments.

*District Attorney Response: The Department will review payments made to this vendor to determine if there are additional overcharges and initiate overpayment procedures or other actions, if necessary. In addition all staff will be trained to investigate invoice discrepancies and ensure that services have been received before approving invoices for payment.*

Purchase Requisitions

35. Discontinue their practice of creating blanket purchase requisitions that effectively bypass required purchasing procedures.
36. Ensure that all purchases are supported by approved requisitions that clearly identify the type and quantity of goods and services requested.

*District Attorney Response: The Department has outlined controls to ensure staff do not create blanket purchases and that ensures items ordered match the approved requisition.*

Commodity Codes

37. District Attorney management ensure staff enter correct commodity codes into the electronic Countywide Accounting and Purchasing System.

*District Attorney Response: The Department is currently utilizing the reference function to locate appropriate commodity codes on eCAPS so that the correct codes are entered into eCAPS.*

Response to Auditor-Controller's Procurement Review

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Miscellaneous Purchases

38. Ensure Miscellaneous Charge purchase requests are prepared, including at least two approval signatures and approval dates, before staff order goods/services.
39. Modify the internal requesting documents to require at least two approvers and the approval dates for all Miscellaneous Charge purchase requests.
40. Ensure staff comply with County and Internal Services Department guidelines for bidding and purchasing training services.

*District Attorney Response: All Miscellaneous Charge purchase requests are now approved before staff order goods/services. We also added use of a stamp with the text "Approved by" next to the approval signature so that it is clear that each request is approved. Further, staff have been trained and instructed on compliance with County and Internal Services Department guidelines for bidding and purchasing of training services.*

Frequently Purchased Services

41. District Attorney management work with Internal Services Department to solicit bids, and establish agreements and/or contracts for transcription and translation services, or other frequently used goods and services.

*District Attorney Response: The District Attorney established Purchase Order(s) approved and let through ISD for all translation services that are non-Court Ordered. When the Court orders translation services, a Miscellaneous Charge encumbrance is used pursuant to Government Code Sections 29601 and 29602.*

Conflicts of Interest

42. District Attorney management work with the Superior Court to determine whether procedures should be established to ensure that interpreters do not assist with the investigation or prosecution of cases that may require their translation services for the Court or the defense on the same case.

*District Attorney's response: The Department will address this recommendation with the Superior Court.*

**ACCOUNTS PAYABLE AND COMMITMENTS**

**Accounts Payable**

43. Ensure staff establish, review, and cancel accounts payable in consistent compliance with County Fiscal Manual policy, and ensure that purchases are charged to the fiscal year during which goods/services are received.
44. Ensure staff maintain supporting documentation for all accounts payable, and reconcile payables to the electronic Countywide Accounting and Purchasing System monthly.

*District Attorney Response: The Department has implemented multiple reviews of the setup, and processing of accounts payable to ensure compliance with the County Fiscal Manual. Accounts payable is now monitored and reported periodically throughout the year by the Budget Section to ensure proper accountability.*

**Commitments**

45. District Attorney management ensure fiscal staff conduct timely monitoring, adjustment, and cancellation of commitments, and ensure that contract purchases are charged to the fiscal year indicated by the terms of the contract approved by the Board of Supervisors.

*District Attorney Response: The Department is now using eCAPS and DA created reports to monitor commitments monthly. Only contracts that are fully encumbered for multiple years, in the first year of a project, are allowed to become commitments in subsequent years.*

**ELECTRONIC COUNTYWIDE PURCHASING AND ACCOUNTING SYSTEM**

**eCAPS Security**

46. District Attorney management review their employees' current electronic Countywide Accounting and Purchasing System (eCAPS) user access privileges, eliminate roles that are not in compliance with County policies, and implement procedures to periodically review the eCAPS user lists to ensure continued compliance.

*District Attorney Response: The Department's eCAPS security coordinator now sends monthly e-mails to managers for their review of their employees' current eCAPS user access privileges and roles are eliminated when it is determined there is no need for continued access.*

eCAPS Pending/Rejected Transactions

47. District Attorney management ensure that staff review the electronic Countywide Accounting and Purchasing System weekly to identify and resolve transactions that have been pending/rejected for extended periods of time.

*District Attorney Response: The Department is finalizing and will implement a Procurement policy that will outline controls to ensure staff review the electronic Countywide Accounting and Purchasing System weekly to identify and resolve transactions that have been pending/rejected for extended periods of time.*

Training and Desk Procedures

48. Establish a training program for staff and managers on County policies and procedures applicable to the findings in this report.
49. Develop and implement specific desk procedures applicable to the findings in this report.

*District Attorney Response: The Department is finalizing and will implement policies and desk procedures in compliance with the County Fiscal Manual to be used as a training program that will outline controls to address the findings of this report.*

INTERNAL CONTROL CERTIFICATION PROGRAM

50. District Attorney management ensure that Internal Control Certification Program questionnaires are completed accurately, all internal control weaknesses are identified, and an improvement plan is developed and implemented to address each weakness identified.

*District Attorney Response: The Department will develop and implement a plan to ensure that the Internal Controls Certification Program questionnaires are completed accurately to address the findings of this report.*